

Appendix J: Cost Neutrality Demonstration**J-1: Composite Overview and Demonstration of Cost-Neutrality Formula**

Composite Overview. Complete the fields in Cols. 3, 5 and 6 in the following table for each waiver year. The fields in Cols. 4, 7 and 8 are auto-calculated based on entries in Cols 3, 5, and 6. The fields in Col. 2 are auto-calculated using the Factor D data from the J-2-d Estimate of Factor D tables. Col. 2 fields will be populated ONLY when the Estimate of Factor D tables in J-2-d have been completed.

Level(s) of Care: ICF/IID

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Col 7 less Column4)
1	15418.96	12378.00	27796.96	145113.00	7658.00	152771.00	124974.04
2	49393.40	11114.26	60507.66	148741.00	7849.00	156590.00	96082.34
3	37103.11	7980.68	45083.79	152459.00	8045.00	160504.00	115420.21
4	38099.47	8214.34	46313.81	156271.00	8247.00	164518.00	118204.19
5	39509.55	8454.89	47964.44	160178.00	8453.00	168631.00	120666.56

Appendix J: Cost Neutrality Demonstration**J-2: Derivation of Estimates (1 of 9)**

- a. **Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table: J-2-a: Unduplicated Participants

Waiver Year	Total Unduplicated Number of Participants (from Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)		
		Level of Care:		
		ICF/IID		
Year 1	14203		14203	
Year 2	14368		14368	
Year 3	14535		14535	
Year 4	14704		14704	
Year 5	14875		14875	

Appendix J: Cost Neutrality Demonstration**J-2: Derivation of Estimates (2 of 9)**

- b. **Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in item J-2-a.

Estimate based on the 372 reports.

Appendix J: Cost Neutrality Demonstration**J-2: Derivation of Estimates (3 of 9)**

- c. **Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

- i. **Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

Prior to 04/2016 - Unduplicated # of users for each service was based on the number of recipients as of 3/31/14 and projected to year end 6/30/14. An increase of 3% was added to unduplicated users for each year from 2015 - 2019. The average annual number of units per recipient was based on the expenditures from the 372 divided by the rate for each service to obtain the total number of units used, this was then divided by the number of recipients to obtain the average number of units used per recipient. A cost increase of 2.5% per year was also factored in.

After 04/2016 - Factor D and Factor D' are not impacted by the increase in the population. However, Factor D and Factor D' are impacted by the transition from a fee-for-service program to a managed care capitation rate program. The increase in the number of unduplicated participants reflects the managed care programs incentive to move individuals from the institutional setting to the HCBS waiver community setting.

Under the updated amendment, Factor D and Factor D' increase on an annual basis at approximately 3.0% per year. The projected increase was based on an estimate of future increases to capitation rates under the managed care program.

- ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

Prior to 04/2016 - This comes from the MMIS system for other paid Medicaid services. An annual increase of 2.5% was assumed. The pharmacy point of sale system denies all Medicare Part D claims except the drugs that are on the excluded drug list by CMS. This does not allow Medicare Part D drug costs to be included in the Factor D' cost.

After 04/2016 - Factor D and Factor D' are not impacted by the increase in the population. However, Factor D and Factor D' are impacted by the transition from a fee-for-service program to a managed care capitation rate program. The increase in the number of unduplicated participants reflects the managed care programs incentive to move individuals from the institutional setting to the HCBS waiver community setting.

Factor D' reflects the costs under the managed care capitation rate program. Factor G' was reported unchanged from the initial waiver filing.

Under the updated amendment, Factor D and Factor D' increase on an annual basis at approximately 3.0% per year. The projected increase was based on an estimate of future increases to capitation rates under the managed care program.

- iii. **Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

These estimates are based on the 2012 MSIS reports. A 2.5% increase in costs is assumed each year.

- iv. **Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

These estimates are based on the 2012 MSIS reports. A 2.5% increase in costs is assumed each year.

Factor D' represents recent experience used for the rate setting process, as well as managed care adjustment factors for the medical services. The change in the number of lives does not have any influence over the calculation of Factor G and/or Factor G'. These are established from historical data and have been maintained from the prior waiver amendment filings. Factor G' was carried forward without adjustment from the prior 1915(c) waiver filing. The percentage increase for Factor G' is derived from historical Iowa Medicaid cost trends.